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Assembly Republicans offer free-market healthcare plan GOP leader says the governor's proposal to provide coverage for all Californians is too ambitious, too costly and is certain to fail.

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Deepening a Capitol rift, Republicans in the Assembly have decided to back free-market changes to the state's healthcare system but are refusing to embrace Gov. Arnold Schwarzenegger's ambition to resolve all of its shortcomings.

The group plans to unveil a package of proposals today that would encourage even the poorest Californians to save money for medical care, while eliminating the state's requirement that insurers pay for certain minimum services.

Michael Villines of Clovis, the GOP leader in the Assembly, said in an interview Tuesday that many of the proposals from the governor, Democratic lawmakers and some Republicans were unfairly raising expectations of what government could do and would eventually backfire.

"We don't want to buy into a plan that's going to fix everything, because we don't think there is a plan that fixes everything," Villines said. "We feel like we're the last line of defense."

The Assembly's 32 Republicans form the Legislature's most conservative faction. They are the last to come forward with a strategy for the issue Schwarzenegger calls the most important in the state: how to extend medical coverage to the 6.5 million residents who lack it while controlling the ever-climbing costs of insurance and services.

The group did not endorse Schwarzenegger's key wish: that all Californians be required to obtain health insurance. And it rejected any requirement that businesses offer coverage for employees, an idea embraced by the governor and the Democratic majorities in both houses of the Legislature.

"We are convinced that if we go forward with the plans that are out there today," Villines said, "you would, with good intentions, have less care for people, a huge government program that wouldn't work ... and you would have cost overruns that would be so prohibitive that the taxes to keep up would become a huge issue."

The Assembly Republicans also decline to support some proposals from their counterparts in the state Senate. Those include encouraging the use of clinics by limiting access to hospital emergency rooms, and relying on the expectation of federal funds to help pay for new services.

The Assembly members agreed with Senate Republicans, however, that people should be encouraged to stash money for medical care in tax-free accounts. That would be done by authorizing Health Savings Accounts, a Bush administration idea that is allowed in 46 states.

People who purchase high-deductible insurance can put untaxed money in those accounts. At the end of the year, unused funds carry over; in other medical savings accounts, unclaimed funds are forfeited.

The Assembly Republicans want to offer such plans to all Californians, including people covered by Medi-Cal, the state's healthcare program for the poor.

Many consumer advocates oppose the Republicans' entire approach, saying that only affluent workers could amass enough money to pay for the large deductibles and co-payments in bare-bones insurance plans.

"We think much of the proposal goes in the wrong direction in terms of repealing consumer protections and taking the health out of health insurance," said Anthony Wright, executive director of Health Access California, an advocacy group.

Other ideas endorsed by the caucus include:

* Eliminating minimum benefits insurers must offer. The group says that would encourage healthy

competition from out-of-state plans. But Democrats would be unlikely to agree to jettison many politically popular provisions, such as guaranteed 48-hour hospital stays in plans that cover maternity care.

- * Allowing businesses to purchase insurance policies that cover both medical care and workers' compensation.

- * Permitting Californians to deduct all medical expenses from their state income taxes, and permitting doctors to obtain tax credits for treating people with little or no insurance.

- * Requiring foundations that were created when the state allowed healthcare plans to merge or become for-profit businesses to spend 90% of their money on direct healthcare for the poor.

- * Increasing the amount Medi-Cal pays doctors and hospitals for treating poor patients. This is one of the few proposals on which Schwarzenegger and lawmakers in both parties agree; it would cost the state about \$4 million to \$5 million.

"The fact that the Assembly Republicans put forth a plan is a hopeful sign, even if the plan is unworkable," said Steve Maviglio, spokesman for Assembly Speaker Fabian Nunez (D-Los Angeles).

Adam Mendelsohn, the governor's spokesman, said Schwarzenegger was encouraged by the coming proposal. Now, he said, "there needs to be a debate about all of the healthcare reform proposals out there."

Villines said the experiences that other countries and states have had in changing their healthcare systems made him skeptical that a grand effort was wise.

"If it hasn't worked in the U.K., if it hasn't worked in Europe, if it hasn't worked in Canada ... if it hasn't worked in over a dozen states in the U.S. ... maybe we should step back," he said. "The definition of insanity is to keep doing the same thing and expecting a different result."